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HISTORY OF RETAIL PRICE INDEXES

The Consumer Price Index (CPI) is the latest of a number of retail price indexes which have been constructed for various purposes by the Australian Bureau of Statistics.

EARLY RETAIL PRICE INDEXES

The first such index was compiled in 1912 and included a range of commodities gathered into four groups; groceries, dairy products, meat and rent. Separate indexes were calculated for each of five main towns (including the capital city) in each of the six States. By using price information obtained from newspapers and government reports index numbers were calculated retrospectively to 1901 for each of the 30 towns, to 1850 for Sydney and to 1870 for Hobart.

This index was compiled until 1938 and came to be known as the A Series Index. In the intervening years a number of other series were also developed. These included the B Series Index, the C Series Index and the D Series Index.

In August 1924, the Conference of Statisticians of Australia and New Zealand resolved that 'for the purposes of computing price-levels in respect of rent, it is desirable that houses of four and five rooms only be taken into account.' From the first quarter of 1925 onwards the B Series Index was compiled on this basis, being in other respects the same as the A Series Index.

Other developments in retail price indexes in the years preceding World War II were driven by the requirements of the Arbitration Court rather than by statistical considerations.

In 1907 Mr Justice Higgins had handed down the 'Harvester' ruling which set a basic wage of 42 shillings per week. In 1913, the A Series Index was adopted by the Commonwealth Arbitration Court for use in adjusting this basic wage in line with price changes. In 1920 the Royal Commission on the Basic Wage recommended the introduction of a new series which would cover a wider range of goods. This recommendation led, in 1923, to the introduction of the C Series Index which covered items gathered into the groups food, groceries, rent of four and five roomed houses, clothing, household drapery and hardware, fuel, lighting and 'other miscellaneous items'. Index numbers were calculated retrospectively to 1914 and the C Series Index eventually became the most important and widely used of the early retail price indexes. It was not until 1934, however, that the Arbitration Court adopted the C Series Index for the purpose of adjusting wages.

In May 1933 the D Series Index was created by a ruling of the Court. The D Series was essentially a hybrid of the A Series Index and the C Series Index. It was used for general wage adjustment purposes for only a short period (May 1933 to April 1934) but continued to be compiled until 1936 due to the exemption of some industries from the Court's April 1934 decision to adopt the C Series Index.

World War II and its aftermath

World War II and its aftermath powerfully affected the construction of retail price indexes in Australia. The disruptions caused by war and the rapid economic and social changes which took place in the postwar years created the need to review the regimen and weighting pattern of the C Series Index.

A new series, the Interim Retail Price Index, was introduced in 1954 and compiled retrospectively to 1952.

The Interim Retail Price Index included a greater variety of foodstuffs (such as packaged breakfast foods, soft drinks, ice cream and confectionery) and, for the first time, a range of services (hairdressing, postage, telephone services, dry cleaning and shoe repairs). The Interim Retail Price Index was restricted to the six State capitals and the weighted average of six State capitals only.

Introduction of the Consumer Price Index

As its name implies, the Interim Retail Price Index was only ever intended as a temporary measure and it was replaced in the June quarter of 1960 by the Consumer Price Index (CPI).

The 1950s was a time of rapid social and economic change. Home ownership replaced house renting as the major way in which shelter was provided, private motor vehicles partly replaced the use of public transport and a widening range of electrical appliances attained widespread use. It was realised that no single regimen and accompanying set of weights could accurately represent patterns of consumer spending during this period. It was therefore decided that the Consumer Price Index would be a chain-linked series of short-term indexes rather than a single long-term index with fixed weights like its predecessors.

The CPI was first compiled in the June quarter of 1960 and index numbers were calculated retrospectively to the September quarter of 1948. In keeping with the philosophy of using chain-linked short-term indexes, three sets of weights were used in the retrospective calculations of index numbers, one set to apply to each of the periods September 1948 to June 1952, June 1952 to June 1956 and June 1956 to March 1960. A fresh set of weights was calculated for use from March 1960 onwards. The index was reviewed at regular intervals and new weights introduced in the December quarters of 1963, 1968 and 1973, September quarters of 1974 and 1976, March quarter of 1982, December quarter of 1986 and June quarter of 1992.

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